## AMENDED IN SENATE JUNE 25, 2003

CALIFORNIA LEGISLATURE—2003-04 REGULAR SESSION

## ASSEMBLY BILL

No. 1475

## **Introduced by Assembly Member Steinberg**

February 21, 2003

An act to amend Section 53533 of, *and to repeal Section 53315 of*, the Health and Safety Code, and to amend Section Sections 5808 and 5814 of the Welfare and Institutions Code, relating to housing.

## LEGISLATIVE COUNSEL'S DIGEST

AB 1475, as amended, Steinberg. Housing: homeless.

The existing California Statewide Supportive Housing Initiative Act, which would be repealed on January 1, 2004, requires the State Department of Mental Health to award grants to local government or private nonprofit agencies for services to a target population.

This bill would repeal the provision that would repeal the act on January 1, 2004, thus indefinitely extending the act.

The existing Housing and Emergency Shelter Trust Fund Act of 2002 requires \$195,000,000 to be transferred to the Housing Rehabilitation Loan Fund to be expended for the Multifamily Housing Program administered by the Department of Housing and Community Development to be used for supportive housing projects for individuals and households moving from emergency shelters or transitional housing or those at risk of homelessness. The act provides that the criteria for selecting projects should give priority to supportive housing for people with disabilities who would otherwise be at high risk of homelessness where the applications represent collaboration with programs that meet the needs of the person's disabilities. Existing law

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also contains provisions administered by the State Department of Mental Health known as the Adult and Older Adult Mental Health System of Care Act that establish criteria for available funding for counties with a high incidence of persons who are severely mentally ill and homeless or at risk of homelessness.

This bill would require that the Department of Housing and Community Development's selection criteria for those funds under the Multifamily Housing Program give priority to projects that include a supportive services component that meets specified criteria, which may include participating in an evaluation under the criteria set forth in the Adult and Older Adult Mental Health System of Care Act. The bill would also revise the criteria set forth in that act. The bill would also make a conforming change in the Housing and Emergency Shelter Trust Fund Act of 2002.

This bill would require counties, pursuant to the Adult and Older Adult Mental Health System of Care Act, to enter into contracts with sponsors of supportive housing projects to the greatest extent possible. By increasing the scope of mandatory responsibilities of counties, this bill would result in a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the 2 following:
- 3 (a) When people who are seriously mentally ill are homeless
- 4 and do not have access to stable, affordable housing and the
- 5 services they need, they frequently enter the criminal justice

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system or use costly emergency services, including emergency rooms, hospitals, mental health treatment facilities, shelters, and other services for crises that could have been avoided.

- (b) Permanent supportive housing, which combines well managed affordable housing with supportive services that are designed to engage and stabilize persons who have been homeless and those with serious mental illness or other disabilities, has demonstrated effectiveness in improving housing outcomes and reducing utilization of costly emergency and inpatient services for the people who are able to access this housing.
- (c) As counties have established programs of integrated services to serve persons who are seriously mentally ill and homeless or at risk of homelessness, they have frequently identified a shortage of housing options to meet the needs of this target population.
- (d) Additional supportive housing is needed to end or prevent homelessness for many Californians who are seriously mentally ill, and the housing programs created or expanded by Proposition 46 provide critically needed resources to respond to this need.
- (e) In order for Proposition 46 bond funds to be used effectively to create housing for individuals who are seriously mentally ill and homeless or at risk of homelessness, funding must be available to provide the supportive services needed by this target population who will be residing in this housing.
- (f) Investments in permanent supportive housing will produce savings to the state, while reducing costs and burdens faced by local governments, health care facilities, businesses, and the public, by producing visible and measurable differences on the street, and in hospitals, jails, and state correctional facilities.
- SEC. 2. Section 53315 of the Health and Safety Code is repealed.
- 53315. This chapter shall remain in effect only until January 1, 2004, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2004, deletes or extends that date.
- SEC. 3. Section 53533 of the Health and Safety Code is amended to read:
- 53533. (a) Money deposited in the fund from the sale of bonds pursuant to this part shall be allocated for expenditure in accordance with the following schedule:

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 (1) Nine hundred ten million dollars (\$910,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, except for the following:

- (A) Fifty million dollars (\$50,000,000) shall be transferred to the Preservation Opportunity Fund and, notwithstanding Section 13340 of the Government Code, is continuously appropriated without regard to fiscal years for the preservation of at-risk housing pursuant to enabling legislation.
- (B) Twenty million dollars (\$20,000,000) shall be used for nonresidential space for supportive services, including, but not limited to, job training, health services, and child care within, or immediately proximate to, projects to be funded under the Multifamily Housing Program. This funding shall be in addition to any applicable per-unit or project loan limits and may be in the form of a grant. Service providers shall ensure that services are available to project residents on a priority basis over the general public.
- (C) Twenty-five million dollars (\$25,000,000) shall be used for matching grants to local housing trust funds pursuant to enabling legislation.
- (D) Fifteen million dollars (\$15,000,000) shall be used for student housing through the Multifamily Housing Program, subject to the following provisions:
- (i) The department shall give first priority for projects on land owned by a University of California or California State University campus. Second priority shall be given to projects located within one mile of a University of California or California State University campus that is suffering from a severe shortage of housing and limited availability of developable land as determined by the department. Those determinations shall be set forth in the Notice of Funding Availability and shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Title 2 of the Government Code.
- (ii) All funds shall be matched on a one-to-one basis from private sources or by the University of California or California State University. For the purposes of this subparagraph, "University of California" includes the Hastings College of the Law.

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(iii) Occupancy for the units shall be restricted to students enrolled on a full-time basis in the University of California or California State University.

- (iv) Income eligibility pursuant to the Multifamily Housing Program shall be established by verification of the combined income of the student and his or her family.
- (v) Any funds not used for this purpose within 24 months of the date that the funds are made available shall be awarded pursuant to subdivision (a) for the Downtown Rebound Program as set forth in paragraph (1) of subdivision (c) of Section 50898.2.
- (E) Any funds not encumbered for the purposes set forth in this paragraph, except subparagraph (D), within 30 months of availability shall revert to the Housing Rehabilitation Loan Fund created by Section 50661 for general use in the Multifamily Housing Program.
- (F) If the enabling legislation for any program specified in this paragraph fails to be enacted into law in the 2001–02 Regular Session of the Legislature, the specified allocation for that program shall be void and the funds shall revert for general use in the Multifamily Housing Program.
- (2) One hundred ninety-five million dollars (\$195,000,000) shall be transferred to the Emergency Housing and Assistance Fund to be expended for the Emergency Housing and Assistance Program authorized by Chapter 11.5 (commencing with Section 50800 of Part 2).
- (3) One hundred ninety-five million dollars (\$195,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, to be used for supportive housing projects for individuals and households moving from emergency shelters or transitional housing or those at risk of homelessness. The criteria for selecting projects should give priority to supportive housing for people with disabilities who would otherwise be at high risk of homelessness where the applications represent collaboration with programs that meet the needs of the person's disabilities. The department's selection criteria shall give priority to projects that include a supportive services component that meets all of the following criteria:

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 (A) The project will provide a comprehensive array of services that meet the needs of the target population.

- (B) The applicant can identify a funding stream, which may include funding from the program of integrated services authorized by Section 5814 of the Welfare and Institutions Code, or other sources, that will be available to pay for these supportive services.
- (C) There is evidence that the planned services can be implemented successfully.
- (D) The provider of supportive services will include a focus on measurable outcomes and has a plan for evaluation. This criteria may be met by participation in the evaluation described in Section 5814 of the Welfare and Institutions Code or a comparable evaluation effort.

The department may provide for higher per-unit loan limits as reasonably necessary to provide and maintain rents affordable to those individuals and households. For purposes of this paragraph, "supportive housing" means housing with no limit on length of stay, that is occupied by the target population, as defined in subdivision (d) of Section 53260, and that is linked to onsite or offsite services that assist the tenant to retain the housing, improve his or her health status, and maximize his or her ability to live, and, when possible, work in the community.

- (4) Two hundred million dollars (\$200,000,000) shall be transferred to the Joe Serna, Jr. Farmworker Housing Grant Fund to be expended for farmworker housing programs authorized by Chapter 3.2 (commencing with Section 50517.5) of Part 2, except for the following:
- (A) Twenty-five million dollars (\$25,000,000) shall be used for projects that serve migratory agricultural workers as defined in subdivision (i) of Section 7602 of Title 25 of the California Code of Regulations.
- (B) Twenty million dollars (\$20,000,000) shall be used for developments that also provide health services to the residents. Recipients of these funds shall be required to provide ongoing monitoring of funded developments to ensure compliance with the requirements of the Joe Serna, Jr. Farmworker Housing Grant Program. Projects receiving funds through this allocation shall be ineligible for funding through the Joe Serna, Jr. Farmworker Housing Grant Program.

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(C) Any funds not encumbered for the purposes set forth in this paragraph within 30 months of availability shall revert for general use in the Joe Serna, Jr. Farmworker Housing Grant Program.

- (5) Two hundred five million dollars (\$205,000,000) shall be transferred to the Self-Help Housing Fund. Notwithstanding Section 13340 of the Government Code and Section 50697.1, these funds are hereby continuously appropriated without regard to fiscal years to the department to be expended for the purposes of the CalHome Program authorized by Chapter 6 (commencing with Section 50650) of Part 2, except for the following:
- (A) Seventy-five million dollars (\$75,000,000) shall be transferred to the Building Equity and Growth in Neighborhoods Fund to be used for the Building Equity and Growth in Neighborhoods (BEGIN) Program pursuant to Chapter 14.5 (commencing with Section 50860) of Part 1.
- (B) Five million dollars (\$5,000,000) shall be used to provide grants to cities, counties, cities and counties, and nonprofit organizations to provide grants for lower income tenants with disabilities for the purpose of making exterior modifications to rental housing in order to make that housing accessible to persons with disabilities. For the purposes of this subparagraph, "exterior modifications" includes modifications that are made to entryways or to common areas of the structure or property. The program provided for under this subparagraph shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Title 2 of the Government Code.
- (C) Ten million dollars (\$10,000,000) shall be expended for construction management under the California Self-Help Housing Program pursuant to subdivision (b) of Section 50696.
- (D) Any funds not encumbered for the purposes set forth in this paragraph within 30 months of availability shall revert for general use in the CalHome Program.
- (6) Five million dollars (\$5,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for capital expenditures in support of local code enforcement and compliance programs. This allocation shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Title 2 of the Government Code. If the moneys allocated pursuant to this paragraph are not expended within three years after being transferred, the department may, in its discretion, transfer the

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moneys to the Housing Rehabilitation Loan Fund to be expended for the Multifamily Housing Program.

- (7) Two hundred ninety million dollars (\$290,000,000) shall be transferred to the Self-Help Housing Fund. Notwithstanding Section 50697.1, these funds are hereby continuously appropriated to the agency to be expended for the purposes of the California Homebuyer's Downpayment Assistance Program authorized by Chapter 11 (commencing with Section 51500) of Part 3, except for the following:
- (A) Fifty million dollars (\$50,000,000) shall be transferred to the School Facilities Fee Assistance Fund as provided by subdivision (a) of Section 51453 to be used for the Homebuyer Down Payment Assistance Program of 2002 established by Section 51451.5.
- (B) Eighty-five million dollars (\$85,000,000) shall be transferred to the California Housing Loan Insurance Fund to be used for purposes of Part 4 (commencing with Section 51600).
- (C) Twelve million five hundred thousand dollars (\$12,500,000) shall be reserved for downpayment assistance to low-income first-time homebuyers who, as documented to the agency by a nonprofit organization certified and funded to provide homeownership counseling by a federally funded national nonprofit corporation, is purchasing a residence in a community revitalization area targeted by the nonprofit organization and who has received homeownership counseling from the nonprofit organization.
- (D) Twenty-five million dollars (\$25,000,000) shall be used for downpayment assistance pursuant to Section 51505. After 18 months of availability, if the agency determines that the funds set aside pursuant to this section will not be utilized for purposes of Section 51505, these funds shall be available for the general use of the agency for the purposes of the California Homebuyer's Downpayment Assistance Program, but may also continue to be available for the purposes of Section 51505.
- (E) Funds not utilized for the purposes set forth in subparagraphs (B) and (C) within 30 months shall revert for general use in the California Homebuyer's Downpayment Assistance Program.
- (8) One hundred million dollars (\$100,000,000) shall be transferred to the Jobs Housing Improvement Account to be

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expended as capital grants to local governments for increasing housing pursuant to enabling legislation. If the enabling legislation fails to become law in the 2001–02 Regular Session of the Legislature, the specified allocation for this program shall be void and the funds shall revert for general use in the Multifamily Housing Program as specified in paragraph (1) of subdivision (a).

- (b) No portion of the money allocated pursuant to this section may be expended for project operating costs, except that this section does not preclude expenditures for operating costs from reserves required to be maintained by or on behalf of the project sponsor.
- (c) The Legislature may, from time to time, amend the provisions of law related to programs to which funds are, or have been, allocated pursuant to this section for the purpose of improving the efficiency and effectiveness of the program, or for the purpose of furthering the goals of the program.
- (d) The Bureau of State Audits shall conduct periodic audits to ensure that bond proceeds are awarded in a timely fashion and in a manner consistent with the requirements of this part, and that awardees of bond proceeds are using funds in compliance with applicable provisions of this part.

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- SEC. 4. Section 5808 of the Welfare and Institutions Code is amended to read:
- 5808. (a) In order to reduce the state and county cost of a mental health system of care, participating counties shall collect reimbursement for services from clients which shall be the same as patient fees established pursuant to Section 5710, fees paid by private or public third-party payers, federal financial participation for medicaid or Medicare services, and other financial sources when available.
- (b) In order to reduce the cost of providing supportive housing for clients, counties shall enter into contracts with sponsors of new supportive housing projects to the greatest extent possible. Counties are encouraged to commit a portion of their grants to rental assistance for a specified number of housing units in exchange for the counties' clients having the right of first refusal to rent the assisted units.
- 39 SEC. 5. Section 5814 of the Welfare and Institutions Code is 40 amended to read:

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5814. (a) (1) This part shall be implemented only to the extent that funds are appropriated for purposes of this part. To the extent that funds are made available, the first priority shall go to maintain funding for the existing programs that meet adult system of care contract goals. The next priority for funding shall be given to counties with a high incidence of persons who are severely mentally ill and homeless or at risk of homelessness, and meet the criteria developed pursuant to paragraphs (3) and (4).

- (2) The director shall establish a methodology for awarding grants under this part consistent with the legislative intent expressed in Section 5802, and in consultation with the advisory committee established in this subdivision.
- (3) (A) The director shall establish an advisory committee for the purpose of providing advice regarding the development of criteria for the award of grants, and the identification of specific performance measures for evaluating the effectiveness of grants. The committee shall review evaluation reports and make findings on evidence-based best practices and recommendations for grant conditions. At not less than one meeting annually, the advisory committee shall provide to the director written comments on the performance of each of the county programs. Upon request by the department, each participating county that is the subject of a comment shall provide a written response to the comment. The department shall comment on each of these responses at a subsequent meeting.
- (B) The committee shall include, but not be limited to, representatives from state, county, and community veterans' services and disabled veterans outreach programs, supportive housing and other housing assistance programs, law enforcement, county mental health and private providers of local mental health services and mental health outreach services, the Board of Corrections, the State Department of Alcohol and Drug Programs, local substance abuse services providers, the Department of Rehabilitation, providers of local employment services, the State Department of Social Services, the Department of Housing and Community Development, a service provider to transition youth, the United Advocates for Children of California, the California Mental Health Advocates for Children and Youth, the Mental Health Association of California, the California Alliance for the

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Mentally Ill, the California Network of Mental Health Clients, the Mental Health Planning Council, and other appropriate entities.

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- (4) The criteria for the award of grants shall include, but not be limited to, all of the following:
- (A) A description of a comprehensive strategic plan for providing outreach, prevention, intervention, and evaluation in a cost appropriate manner corresponding to the criteria specified in subdivision (c).
- (B) A description of the local population to be served, ability to administer an effective service program, and the degree to which local agencies and advocates will support and collaborate with program efforts.
- (C) A description of efforts to maximize the use of other state, federal, and local funds or services that can support and enhance the effectiveness of these programs.
- (b) In each year in which additional funding is provided by the State Budget the department shall establish programs that offer individual counties sufficient funds to comprehensively serve severely mentally ill adults who are homeless, recently released from a county jail or the state prison, or others who are untreated, unstable, and at significant risk of incarceration or homelessness unless treatment is provided to them and who are severely mentally ill adults. For purposes of this subdivision, "severely mentally ill adults" are those individuals described in subdivision (b) of Section 5600.3. In consultation with the advisory committee established pursuant to paragraph (3) of subdivision (a), the department shall report to the Legislature on or before May 1 of each year in which additional funding is provided, and shall evaluate, at a minimum, the effectiveness of the strategies in providing successful outreach and reducing homelessness, involvement with local law enforcement, and other measures identified by the department. The evaluation shall include for each program funded in the current fiscal year as much of the following as available information permits:
- (1) The number of persons served, and of those, the number who are able to maintain housing, including the number who obtain and retain permanent supportive housing, and the number who receive extensive community mental health services.

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(2) The number of persons with contacts with local law enforcement and the extent to which local and state incarceration has been reduced or avoided.

- (3) The number of persons participating in employment service programs including competitive employment.
- (4) The number of persons contacted in outreach efforts who appear to be severely mentally ill, as described in Section 5600.3, who have refused treatment after completion of all applicable outreach measures.
- (5) The amount of hospitalization that has been reduced or
- (6) The extent to which veterans identified through these programs' outreach are receiving federally funded veterans' services for which they are eligible.
- (7) The extent to which programs funded for three or more years are making a measurable and significant difference on the street, in hospitals, and in jails, as compared to other counties or as compared to those counties in previous years.
- (8) For those who have been enrolled in this program for at least two years and who were enrolled in Medi-Cal prior to, and at the time they were enrolled in, this program, a comparison of their Medi-Cal hospitalizations and other Medi-Cal costs for the two years prior to enrollment and the two years after enrollment in this program.
- (9) The number of persons served who were and were not receiving Medi-Cal benefits in the 12-month period prior to enrollment and, to the extent possible, the number of emergency room visits and other medical costs for those not enrolled in Medi-Cal in the prior 12-month period.
- (10) The number of permanent supportive housing units that are created or sustained and are serving members of the target population of severely mentally ill adults who are homeless, recently released from a county jail or the state prison, or others who have been untreated, unstable, and at significant risk of 35 incarceration or homelessness without access to supportive 36 housing and appropriate treatment., including the number of units for which the grantee committed a portion of its grant to rental assistance. If the grantee used a portion of its funding under this part for the acquisition, rehabilitation, or construction of supportive housing, or for rental assistance in supportive housing

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units, the evaluation shall include the amount of money spent on housing compared to previous years.

- (c) To the extent that state savings associated with providing integrated services for the mentally ill are quantified, it is the intent of the Legislature to capture those savings in order to provide integrated services to additional adults.
- (d) Each project shall include outreach and service grants in accordance with a contract between the state and approved counties that reflects the number of anticipated contacts with people who are homeless or at risk of homelessness, and the number of those who are severely mentally ill and who are likely to be successfully referred for treatment and will remain in treatment as necessary.
- (e) All counties that receive funding shall be subject to specific terms and conditions of oversight and training which shall be developed by the department, in consultation with the advisory committee.
- (f) (1) As used in this part, "receiving extensive mental health services" means having a personal services coordinator, as described in subdivision (b) of Section 5806, and having an individual personal service plan, as described in subdivision (c) of Section 5806.
- (2) The funding provided pursuant to this part shall be sufficient to provide mental health services, medically necessary medications to treat severe mental illnesses, alcohol and drug services, transportation, supportive housing and other housing assistance, vocational rehabilitation and supported employment services, money management assistance for accessing other health care and obtaining federal income and housing support, accessing veterans' services, stipends, and other incentives to attract and retain sufficient numbers of qualified professionals as necessary to provide the necessary levels of these services. These grants shall, however, pay for only that portion of the costs of those services not otherwise provided by federal funds or other state funds.
- (3) Methods used by counties to contract for services pursuant to paragraph (2) shall promote prompt and flexible use of funds, consistent with the scope of services for which the county has contracted with each provider.
- (g) Contracts awarded pursuant to this part shall be exempt from the Public Contract Code and the state administrative manual

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and shall not be subject to the approval of the Department of General Services.

- (h) Notwithstanding any other provision of law, funds awarded to counties pursuant to this part and Part 4 (commencing with Section 5850) shall not require a local match in funds.
- 5 Section 5850) shall not require a local match in funds.
  6 SEC. 6. Notwithstanding Section 17610 of the Government
  7 Code, if the Commission on State Mandates determines that this
  8 act contains costs mandated by the state, reimbursement to local
  9 agencies and school districts for those costs shall be made
  10 pursuant to Part 7 (commencing with Section 17500) of Division
  11 4 of Title 2 of the Government Code. If the statewide cost of the
  12 claim for reimbursement does not exceed one million dollars
  13 (\$1,000,000), reimbursement shall be made from the State
  14 Mandates Claims Fund.